

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name LAKE	County BENZIE
Fiscal Year End 03/31/2007	Opinion Date 06/17/2007	Date Audit Report Submitted to State 09/30/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) WILSON, WARD CPA FIRM	Telephone Number 231-276-7668		
Street Address PO BOX 205	City INTERLOCHEN	State MI	Zip 49643
Authorizing CPA Signature 	Printed Name ROBERT WARD	License Number 1101028281	

LAKE TOWNSHIP
BENZIE COUNTY, MICHIGAN

Audit Report

For Year Ended
March 31, 2007

Wilson, Ward CPA Firm
PO Box 205
Interlochen, MI 49643
(231) 276-7668

June 17, 2007

Mr. William Robinson, Supervisor
Lake Township
Honor, Michigan

The primary purpose of this letter is to prepare, for management, information which delineates those items encountered during the audit which were either not related to the financial, internal control and compliance reports or were not material enough to comment on relative to them. However, these items might be significant when viewed from a management perspective or in the longer term. This letter is intended only for the use of management and any other parties not informed of these matters might misconstrue their meanings.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with general accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of Lake Township. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Lake Township are listed in the disclosures. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into Lake Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Lake Township that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

The information was made available timely and in an organized manner by the clerk and treasurer. Once again, the atmosphere is very conducive to excellent internal control with a very positive attitude toward improvement.

COMMENT: The control of cash at the park has improved markedly.

RECOMMENDATION: Prenumbered or accounting for the quantity of parking payment vouchers supplied (for parking fees) is being used to allow a third party to verify the amounts collected.

Again, it is important to remember that this report is for information only and provided to management with the sole intent that it can be evaluated with the potential to improve management practices within the township. Thank you for the excellent condition of the records as well as the opportunity to work with Lake Township.

Sincerely,


Wilson, Ward CPA Firm

LAKE TOWNSHIP
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS

Lake Township
Honor, Michigan

We have audited the financial statements of Lake Township as of and for the year ended March 31, 2007, and have issued our report thereon dated June 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lake Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lake Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lake Township's internal control over financial reporting.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Lake Township's response to the findings identified in our audit are described above. We did not audit Lake Township's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, others within the organization and the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

Wilson Ward CPA Firm

Interlochen, MI
June 17, 2007

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Lake Township Board
Honor, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township, Benzie County, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lake Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township as of March 31, 2007 thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with Government Auditing Standards, we have also issued our report dated June 17, 2007, on our consideration of Lake Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lake Township's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Wilson, Ward CPA Firm

Interlochen, MI
June 17, 2007

Lake Township

Management Discussion and Analysis

This discussion and analysis provides an overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

Financial Highlights:

- The Township's net assets changed with a 14.6 percent increase attributed to frugal township operations.

Using this Annual Report:

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Fund Financial Statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund Financial Statements also report the Township's operations in more detail than the Government-Wide Financial Statements by providing information about the Township's most significant funds. The Fiduciary Fund Statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Township's Most Significant Funds:

1. Government Fund Types use modified accrual basis and include -

The *general funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The *special revenue funds* account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of funds.

The *capital projects funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Fiduciary fund types include -

The *Trust and Agency Fund* is unbudgeted and accounts for activities within those areas where the Township is operating in either a trust or agency status. These funds have no

equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Township.

3. Proprietary fund types include -

The *enterprise funds* use the full accrual basis for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Township as a Whole:

The following table shows current year net assets:

Assets	
Cash	412,727
Other Current Assets	0
Capital Assets Net	<u>111,249</u>
Total Assets	523,975
Liabilities and Net Assets	
Liabilities	0
Net Assets	<u>523,975</u>
Total Liabilities and Net Assets	523,975

The Township's combined net assets increased 14.6% from a year ago - increasing from \$472,378 to \$523,976. This was primarily due to prudent township operations

	2007
Revenues	
Taxes	230,317
State Grants	46,389
Interest and Rental	6,701
Charges for Services	0
Other	<u>43,705</u>
Total Revenue	328,109
Expenditure	<u>271,469</u>
Excess Revenue	56,640

The Township's real governmental revenues increased by approximately \$31,975. This increase, which represents 10.7 percent, was primarily due to prudent township operations.

The Township's Funds:

Our analysis of the Township's major funds begins in the supplemental data following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millages.

The General Fund pays for most of the Township's governmental services. The amount transferred from the General Fund for Fire Services is supported by an operational budget approved by the Township Board and included the use of reserve funds.

General Fund Budgetary Highlights:

Over the course of the year the Township Board was able to maintain the township departments within their prescribed budgets. Some budget increases were necessary, the most significant to the Planning Commission. This increase was approved to facilitate completion of a new zoning ordinance.

Capital Asset and Debt Administration:

Capital Assets

The Township made no major capital improvements in 2007.

	Asset	Depreciation	Accumulated Depreciation
General Fixed Assets			
Buildings	136,131	1,700	54,531
Land	89,588	2,752	60,539
Equipment	53,472	590	52,872
Total General Fixed Assets	279,191	5,042	167,942

Debt

The Township acquired no debt in 2007.

Economic Factors and Next Year's Budgets and Rates:

Lake Townships 2007-2008 budget calls for the allocated millages to support general, fire, cemetery and the addition of the town hall renovation bond.

General Overview of the Accomplishments of Lake Township in the 2006-2007 Fiscal Year:

The Township finances have been managed very closely during this fiscal year. This is reflected in a slight increase of the General Fund balance. The Township is in a very healthy state as a whole.

Contacting the Township's Management:

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact our office at (231) 325-5202.

**Lake Township
Statement of Net Assets**

As of March 31, 2007

Assets

Cash and Investments	\$412,727
Accounts Receivable	0
Taxes Receivable	0
Prepaid Insurance	0
Due From Other Agencies	0
Fixed Assets Net of Depreciation	111,249
Total Assets	<u>523,975</u>

Liabilities and Fund Balance

Liabilities

Accounts Payable	0
Accrued Salaries & Wages	0
Deferred Revenue	0
Due to Other Agencies	0
Total Liabilities	<u>0</u>

Fund Equity

Net Assets	111,249
Reserved for Equipment Replacement	0
Unreserved	412,726
Total Net Assets	<u>523,975</u>

Total Liabilities and Net Assets	<u>\$523,975</u>
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Reconciliation of Governmental:

Unreserved Fund Balance	\$412,727
Add Net Assets	111,249
Unreserved Net Assets	<u>\$523,976</u>

Lake Township
Statement of Activities
For Year Ended March 31, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Primary government						
Governmental activities:						
General government	\$154,314			\$154,314		\$154,314
Public safety	69,563			69,563		69,563
Public works	28,181			28,181		28,181
Health and Recreation	17,116			17,116		17,116
Community and Economic Development				0		0
Recreation and Culture	2,295			2,295		0
Interest on Long Term Debt				0		0
Total Governmental Activities	271,469			271,469		271,469
Business Type Activities						
Water and Sewer	0				0	
Total Primary Government	271,469			271,469	0	271,469
General revenues:						
Taxes						
Property Taxes-general				230,317		230,317
Property Taxes-debt service				0		0
State-Shared Revenues				46,389		46,389
Unrestricted Investment Earnings				6,701		6,701
Franchise taxes				997		997
Miscellaneous				43,705		43,705
Depreciation				5,042		5,042
Total General Revenues-Special Items and Transfers				323,067		323,067
Changes in Net Assets				51,598		51,598
Net Assets - Beginning				361,128		361,128
Net Assets - Ending				\$412,726		\$412,726

Reconciliation to Governmental Income:

Income Per Governmental Sheet	\$56,640
Governmentally expensed Assets	0
Subtract Depreciation	5,042
Per Statement of Activities	\$51,598

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Lake Township
Balance Sheet - All Governmental Fund Types

As of March 31, 2007

	Governmental Fund Types			Total Governmental
	General Fund	Fire Fund	Other Non-Major Funds	
Assets				
Cash and Investments	\$261,967	\$124,748	\$26,013	\$412,727
Accounts Receivable	0			0
Taxes Receivable	0			0
Prepaid Insurance	0			0
Due From Other Agencies	0			0
Due From Other Funds	0		0	0
Construction Work In Progress	0			0
Total Assets	261,967	124,748	26,013	412,727
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	0	0	0	0
Accrued Salaries & Wages	0			0
Deferred Revenue				0
Due to Other Agencies	0			0
Due to Other Funds	0		0	0
Total Liabilities	0	0	0	0
Fund Equity				
Fund Balances:				
Reserved for Equipment Replacement				0
Unreserved	261,967	124,748	26,013	412,728
Total Fund Equity	261,967	124,748	26,013	412,728
Total Liabilities and Fund Balance	\$261,967	\$124,748	\$26,013	\$412,728

Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance
All Governmental Fund Types

For the Year Ended March 31, 2007

	Governmental Fund Types			Total Governmental
	General Fund	Fire Fund	Other Non-Major Funds	
Revenues				
Taxes	\$107,695	\$65,987	\$0	\$173,682
Licenses	3,300			3,300
State of Michigan	43,327		3,062	46,389
Charges for Services	0			0
Interest & Rentals	4,947	1,754	0	6,701
Admin Fees	56,635			56,635
Cable Franchise Fees	997			997
Misc	16,178	3,600	2,295	22,073
Reimbursements	18,332			18,332
Total Revenues	251,411	71,341	5,357	328,109
Expenditures				
Current				
Legislative	41,383			41,383
General Government	110,960		4,266	115,227
Public Safety	30,273	39,290	0	69,563
Public Works	28,181			28,181
Contingency	17,116			17,116
Total Expenditures	227,912	39,290	4,266	271,469
Excess Revenue (Expenditures)	23,499	32,051	1,091	56,640
Operating Transfers In	10,000		0	10,000
Operating Transfers (Out)		(10,000)	0	(10,000)
Fund Balance/Retained Earnings - Beginning of Year	228,468	102,697	24,922	356,087
Fund Balance/Retained Earnings - End of Year	\$261,967	\$124,748	\$26,013	\$412,727

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**LAKE TOWNSHIP
FOOTNOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDING MARCH 31, 2007**

1. Summary of Significant Accounting Policies

The accounting policies of the Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. Reporting Entity

Lake Township is located in Benzie County, Michigan. The Township is governed by an elected five member board. Services are provided to approximately 635 residents and include fire protection and general community enrichment services. The criteria established for determining the various agencies and boards to be included in the Township's general purpose financial statements depends on the extent such agencies and boards are a part of, controlled by or dependent on the Township. The criterion used to determine the reporting entity, "is the ability to exercise oversight responsibility over such agencies by the governmental unit's elected officials."

B. Summary of Significant Accounting Policies

Basis of Presentation

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

Beginning with the fiscal year 2003-04 Lake Township converted to GASB 34 reporting standards. This creates a new report at the fund level which reports the general fund and only major funds with the remainder reported in one column as "Other Non-major Funds". It also eliminates the groups of accounts and the internal service funds. The new top level reports uses full accrual accounting which includes the fixed assets with appropriate depreciation and long term debt. The Trust and Agency Funds are reported separately as are the Proprietary Funds which are reported as "business like" funds.

Basis of Accounting

Basis of Accounting refers to how revenue and expenditures or expenses are recognized in the account and reported in the financial statements. The basis of accounting, as required under generally accepted accounting principles, varies for each fund.

General, special revenue, debt service, capital projects and trust and agency funds should be accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized in the accounting period in which it becomes available and measurable. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable.

Enterprise funds should be accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized in the accounting period in which it is earned and becomes measurable. Expenses are recognized in the accounting period incurred, if measurable.

**LAKE TOWNSHIP
FOOTNOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDING MARCH 31, 2007**

The accounting policies of Lake Township conform to generally accepted accounting principles and include the following fund types

1. Government Fund Types use modified accrual basis and include -

The *general funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The *special revenue funds* account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of fund.

The *capital projects funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Fiduciary fund types include -

The *Trust and Agency Fund* is unbudgeted and accounts for activities within those areas wherein the Township is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Township.

C. Budgets and Budgetary Accounting

The general fund and enterprise fund types are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis the same as the modified accrual basis used to reflect operations and include those amounts formally appropriated by the Township Board.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

2. Excess of Expenditures over Appropriations

The local unit shall not incur expenditures in excess of appropriations. This also requires a disclosure of all such functional areas which exceeded budget. As such, a budgeted statement is included in the supplementary data portion of these financial statements.

3. Financial Control of Funds

As authorized by Act 20, Public Act of 1943, as amended, states that the Township, by resolution may authorize its treasurer to invest surplus funds in the following manner:

1. Direct obligations of the United States or an agency or instrumentality of the United States.

**LAKE TOWNSHIP
FOOTNOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDING MARCH 31, 2007**

2. In any account or depository which is a member of the F.D.I.C. or a savings and loan which is a member of the Federal Savings and Loan Insurance Corporation, or a credit union which is insured by the National Credit Union Administration.
3. Fifty percent of the funds may be invested in commercial paper rated at the time of purchase within the three highest classifications by not less than two standard rating agencies and which mature not more that 270 days following the date of purchase.
4. In United States Government of federal agency obligations repurchase agreements.
5. In bankers acceptances of the United States banks.
6. In mutual funds composed of investment vehicles which are legal for direct investment of local units of government in Michigan.

4. Cash and Investments

Deposits of the Township are as authorized by the Township Board. A summary of these accounts and amounts is included in the supplemental data section of this report. All funds of Lake Township have been invested in those depositories or investments as authorized by Michigan Compiled Laws Section 129.91. The balance sheet account for all funds includes all cash, investments and imprest (petty cash) funds.

In accordance with GASB Statement No. 3, risk disclosures must be made to indicate the amounts of cash insured or uninsured. A general summary of these assets is as follows:

	<u>Carrying Value</u>	<u>Bank Value</u>
Insured	\$ 100,000	\$ 100,000
Uninsured	\$ 272,727	\$ 272,727

The Township also has \$40,000 invested in certificates of deposit which are not reported according to risk.

5. Pension Plan

The Township participates in a defined contribution pension plan administrated by Municipal Retirement Systems, Inc. covering all elected officials and other full-time employees. The Township contributes the premium based on 7.5% of the annual normal compensation. Plan members may make additional voluntary contributions. The Township's contribution for the year ended March 31, 2007 amounted to \$6,715.

6. Changes in General Fixed Assets

General Fixed Assets have been acquired for general township purposes and at the time of purchase were recorded as expenditures. The assets have been capitalized in the General Fixed Asset records as required by GASB 34. As a Township policy, assets valued at less than \$2,500 are considered to be supplies and are not recorded as fixed assets.

**LAKE TOWNSHIP
FOOTNOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDING MARCH 31, 2007**

	Balance <u>4/01/06</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>3/31/07</u>
Land	\$ 7,035			\$ 7,035
Land Improvements	82,553			82,553
Buildings	136,131			136,131
Furniture	17,373			17,373
Equipment	<u>36,099</u>	<u>0</u>	<u>0</u>	<u>36,099</u>
	<u>\$279,191</u>	<u>\$ 0</u>	<u>0</u>	<u>\$279,191</u>

Accumulated Depreciation

	Cost	Date of Purchase	Method	Life	Acc Dep 03/31/06	Dep	Acc Dep 03/31/07
Land	7,035		N/A				
Building & Garage	51,131	1948	S/L	50	51,131	0	51,131
Land Improvements	82,553	1985	S/L	30	57,787	2,752	60,539
Furniture	17,373	VAR	S/L	7	17,373	0	17,373
Equipment	32,399	VAR	S/L	7	32,399	0	32,399
Riding Mower	1,500	2001	S/L	10	750	150	900
Computer	2,200	2002	S/L	5	1,760	440	2,200
Fire Barn	85,000	2005	S/L	50	1,700	1,700	3,400

7. Compensated Absences and Post Employment Benefits

The township does not pay for compensated absences.

8. Contingent Liabilities

There are no known contingent liabilities.

9. Risk Management

The township carries commercial insurance as a protection against risk.

10. Taxes receivable

Taxes receivable reflected in the general fund represent delinquent real property taxes and tax administration fees on delinquent real property taxes. Benzie County funds the delinquent tax roll by selling tax notes annually and distributing the proceeds to the governmental units currently. Accordingly, these delinquent taxes and related fees are recorded as revenue in the current year.

SUPPLEMENTAL STATEMENTS

WILSON, WARD CPA FIRM

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To the Township Board
Honor, MI

We have audited the combined financial statements of Lake Township for the year ended March 31, 2007. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financials statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Wilson, Ward CPA Firm

Interlochen, MI
July 17, 2007

General Fund

**Lake Township
Balance Sheet
General Fund**

As of March 31, 2007

Assets

Cash In Bank and Investments	\$261,967
Accounts Receivable	0
Taxes Receivable	0
Prepaid Insurance	0
Due From Other Funds	0
Due From Other Agencies	0
Construction Work In Progress	0
Total Assets	<u><u>\$261,967</u></u>

Liabilities and Fund Balance

Liabilities

Accounts Payable	\$0
Accrued Salaries & Wages	0
Deferred Revenue	0
Due To Other Funds	0
Compensated Absences	0
Total Liabilities	<u>0</u>

Fund Balance

Reserved for Equipment Replacement	0
Unreserved	261,967
Total Fund Balance	<u><u>261,967</u></u>
Total Liabilities and Fund Balance	<u><u>\$261,967</u></u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund

For the Year Ended March 31, 2007

	General Fund <u>March 31, 2007</u>
<u>Revenue</u>	
Taxes	\$107,695
Admin Fees	56,635
Licenses and Permits	3,300
Interest & Rentals	4,947
Other Revenues	16,178
Donations	0
State Shared Revenue	43,327
Cable Franchise Fees	997
Reimbursements	<u>18,332</u>
Total Revenues	251,411
<u>Expenditures</u>	
Current	
Legislative	41,383
General Government	110,960
Public Safety	30,273
Public Works	28,181
Contingency	<u>17,116</u>
Total Expenditures	<u>227,912</u>
Excess Revenue (Expenditures)	23,499
Operating Transfers In	10,000
Operating Transfers Out	
Fund Balance - Beginning of Year	<u>228,468</u>
Fund Balance - End of Year	<u><u>\$261,967</u></u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget Vs Actual
General Fund
For the Year Ended March 31, 2007

	Budget Beg. Year April 01, 2006	Budget Year Ended March 31, 2007	Actual Year Ended March 31, 2007	Variance Favorable (Unfavorable)
Revenue				
Current Property Taxes	\$101,500	\$104,770	\$105,952	\$1,182
Penalties on Taxes	500	500	1,743	1,243
Admin Fees	48,400	49,430	56,635	7,205
Licenses and Permits	3,500	3,500	3,300	(200)
State Shared Revenues	43,000	43,000	43,327	327
Use Fees	12,000	12,500	15,231	2,731
Earned Interest	1,500	2,500	4,947	2,447
Franchise Fees	1,000	1,000	997	(3)
Reimbursements	500	500	10,052	9,552
Misc	2,500	2,500	947	(1,553)
Total Revenues	214,400	220,200	243,131	22,931
Reimbursements	5,500	5,500	8,280	2,780
Total Receipts	219,900	225,700	251,411	25,711
Expenditure				
Legislative				
Total Township Board	43,050	43,050	41,383	1,667
Total Township Supervisor	12,100	12,400	12,100	300
Total Elections	3,700	3,700	3,653	47
Total Assessor	32,744	32,744	30,391	2,353
Total Clerk	24,104	23,804	18,875	4,929
Total Board of Review	1,900	2,200	2,168	32
Total Treasurer	30,662	30,762	30,705	57
Total Township Hall	29,300	17,300	13,069	4,231
Total General Government	134,510	122,910	110,960	11,950
Planning and Zoning	12,450	26,450	23,351	3,099
Public Works:				
Street Lighting	0	0	0	0
Parks	15,150	15,150	14,409	741
Clean Up	7,450	7,450	7,076	374
Recycling	6,800	6,800	6,436	364
Road Work	2,500	2,500	0	2,500
Total Public Works	31,900	31,900	27,921	3,979
Zoning Board of Appeals	\$1,950	\$1,850	\$260	\$1,590

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund

For the Year Ended March 31, 2007

	Budget Beg. Year <u>April 01, 2006</u>	Budget Year Ended <u>March 31, 2007</u>	Actual Year Ended <u>March 31, 2007</u>	Variance Favorable (Unfavorable) <u></u>
Other Expenditures				
Fire	\$2,700	\$2,700	\$3,039	(\$339)
Police Service	4,000	4,000	3,884	116
Employee Benefits	3,000	3,000	1,734	1,266
Pension	16,000	16,000	15,381	619
Contingency	<u>5,000</u>	<u>5,000</u>	<u>0</u>	<u>5,000</u>
Total Other Expenditures	30,700	30,700	24,038	6,662
 Total Expenditures	 <u>254,560</u>	 <u>256,860</u>	 <u>227,912</u>	 <u>27,285</u>
 Excess Revenues	 (34,660)	 (31,160)	 23,499	
 OTHER FINANCING SOURCES				
Operating Transfers In(Out)			10,000	
 Excess Revenue & Other Financing Uses Over (Under) Expenditures			 33,499	
 Fund Balance - Beginning of Year			 <u>228,468</u>	
 Fund Balance - End of Year			 <u><u>\$261,967</u></u>	

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Special Revenue Fund

**Lake Township
Combining Balance Sheet
Non-Major Special Revenue Funds**

As of March 31, 2007

	Park Fund	Metro Act Fund	Budget Stabilization Fund	Total
Assets				
Cash in Bank	\$0	\$6,013	\$20,000	\$26,013
Prepaid Insurance				0
Due From General Fund	0			0
Total Assets	0	6,013	20,000	26,013
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	0	0	0	0
Due to General Fund			0	0
Total Liabilities	0	0	0	0
Fund Balance				
Reserved for Equipment Replacement				0
Unreserved	0	6,013	20,000	26,013
Total Fund Balance	0	6,013	20,000	26,013
Total Liabilities and Fund Balance	\$0	\$6,013	\$20,000	\$26,013

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Lake Township
Combining Statement of Revenues, Expenditures & Changes in Fund Balance
Non-Major Special Revenue Funds

For The Year Ended March 31, 2007

	Park Fund	Metro Act Fund	Budget Stabilization Fund	Total
Revenues				
Property Taxes	\$0	\$0	\$0	\$0
Delinquent Property Taxes				0
State of Michigan		3,062	0	3,062
Interest				0
Miscellaneous	2,295			2,295
Total Revenue	2,295	3,062	0	5,357
Expenditures				
Contract Services			0	0
Capital Expenditures				0
Miscellaneous	2,295	1,971	0	4,266
Total Expenditures	2,295	1,971	0	4,266
Excess Revenue (Expenditures)	0	1,091	0	1,091
Transfer From General Fund			0	0
Fund Balance - Beginning of Year	0	4,922	20,000	24,922
Fund Balance - End of Year	\$0	\$6,013	\$20,000	\$26,013

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**Lake Township
Balance Sheet
Fire Fund**

As of March 31, 2007

<u>Assets</u>	
Cash In Bank	\$124,748
Prepaid Insurance	<u>0</u>
Total Assets	<u><u>\$124,748</u></u>
<u>Liabilities and Fund Balance</u>	
Liabilities	
Accounts Payable	\$0
Due to General Fund	<u>0</u>
Total Liabilities	<u>0</u>
Fund Balance	
Reserved for Equipment Replacement	0
Unreserved	<u>124,748</u>
Total Fund Balance	<u><u>124,748</u></u>
Total Liabilities and Fund Balance	<u><u>\$124,748</u></u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Lake Township
Statement of Revenues, Expenditures & Changes in Fund Balance
Fire Fund

For The Year Ended March 31, 2007

<u>Revenues</u>	
Property Taxes	\$63,017
Delinquent Property Taxes	2,970
Interest	1,754
Miscellaneous	<u>3,600</u>
Total Revenue	<u>71,341</u>
<u>Expenditures</u>	
Contract Services	39,290
Capital Expenditures	<u>0</u>
Total Expenditures	<u>39,290</u>
Excess Revenues (Expenditures)	32,051
Transfer From General Fund	(10,000)
Fund Balance - Beginning of Year	<u>102,697</u>
Fund Balance - End of Year	<u>\$124,748</u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**Lake Township
Balance Sheet
Park Fund**

As of March 31, 2007

<u>Assets</u>	
Cash In Bank	\$0
Due from General Fund	<u>0</u>
Total Assets	<u><u>0</u></u>
<u>Liabilities and Fund Balance</u>	
Fund Balance	
Reserved for Equipment Replacement	0
Unreserved	<u>0</u>
Total Fund Balance	<u><u>0</u></u>
Total Liabilities and Fund Balance	<u><u>\$0</u></u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Lake Township
Statement of Revenues, Expenditures & Changes in Fund Balance
Park Fund

For The Year Ended March 31, 2007

<u>Revenues</u>	
Donations	\$0
Permits and fees	<u>2,295</u>
Total Revenue	<u>2,295</u>
<u>Expenditures</u>	
Maintenance and Improvement	2,295
Capital Expenditures	<u>0</u>
Total Expenditures	<u>2,295</u>
Excess Revenues (Expenditures)	0
Fund Balance - Beginning of Year	<u>0</u>
Fund Balance - End of Year	<u>\$0</u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**Lake Township
Balance Sheet
Metro Act Fund**

As Of March 31, 2007

<u>Assets</u>	
Cash In Bank	\$6,013
Prepaid Insurance	0
Total Assets	<u>\$6,013</u>
<u>Liabilities and Fund Balance</u>	
Liabilities	
Accounts Payable	\$0
Due to General Fund	<u>0</u>
Total Liabilities	0
Fund Balance	
Reserved for Equipment Replacement	0
Unreserved	<u>6,013</u>
Total Fund Balance	<u>6,013</u>
Total Liabilities and Fund Balance	<u>\$6,013</u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Lake Township
Statement of Revenues, Expenditures & Changes in Fund Balance
Metro Act Fund

For The Year Ended March 31, 2007

<u>Revenues</u>	
State of Michigan	\$3,062
Delinquent Property Taxes	0
Interest	0
Miscellaneous	0
Total Revenue	<u>3,062</u>
<u>Expenditures</u>	
Contract Services	1,971
Capital Expenditures	0
Total Expenditures	<u>1,971</u>
Excess Revenues (Expenditures)	1,091
Fund Balance - Beginning of Year	<u>4,922</u>
Fund Balance - End of Year	<u>\$6,013</u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**Lake Township
Balance Sheet
Budget Stabilization Fund**

As of March 31, 2007

<u>Assets</u>	
Cash In Bank	<u>\$20,000</u>
Total Assets	<u><u>20,000</u></u>
<u>Liabilities and Fund Balance</u>	
Due to General Fund	
Unreserved Fund Balance	<u>20,000</u>
Total Liabilities and Fund Balance	<u><u>\$20,000</u></u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS